

Congress of the United States
Washington, DC 20515

March 17, 2004

The Honorable John Boehner
Chairman
Education and the Workforce Committee
2181 Rayburn House Office Building
Washington, D.C. 20515

The Honorable George Miller
Ranking Member
Education and the Workforce Committee
2101 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Boehner and Ranking Member Miller:

We are writing today to request a hearing on student loan reconsolidation.

As you know, there are increasing anxieties about the costs of higher education. This growing problem is accurately outlined in an article that appeared recently in the *Wall Street Journal*. In the article, the *Journal* correctly points out, "State support is plummeting, schools are bursting with a record 15.8 million students, federal aid isn't going as far as it used to, students are needier. And fixing any of that is such a monumental task that neither the states nor Congress seems willing to tackle it." The entire *Journal* article is attached for your review.

We believe Congress needs to focus on student loan reconsolidation as a first step toward reducing the burden of college costs. There are a number of legislative initiatives worthy of consideration, including our bill, H.R. 2711, which would allow students and graduates to shop around for the best loan consolidation deal and repeal current law that prevents individuals from reconsolidating or refinancing their student loans.


We know this debate will likely heat up in the fall, when the Higher Education Act is up for reauthorization. However we should not wait until then to act. We ask that your committee schedule a hearing in Spring 2004 on this important subject matter.

Thank you for your consideration and we look forward to your response.

All the best,



Rob Simmons
Member of Congress

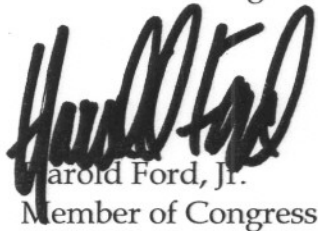


David Wu
Member of Congress


John Conyers
Member of Congress

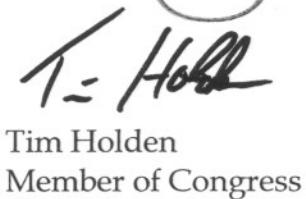

Michael Doyle
Member of Congress

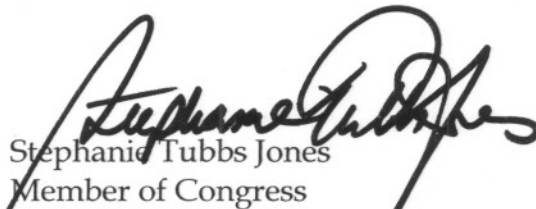

Bob Etheridge
Member of Congress

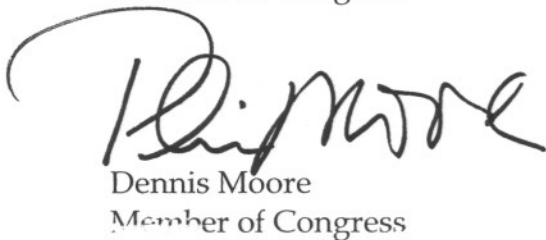

Harold Ford, Jr.
Member of Congress


Mark Green
Member of Congress



Raul Grijalva
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Tim Holden
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Stephanie Tubbs Jones
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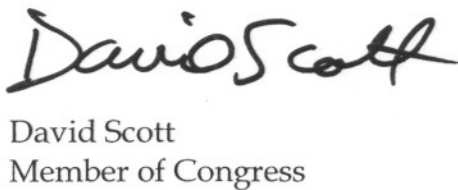

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Mike Ross
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February 4, 2004

POLITICS AND POLICY

**College Costs Play on Stump
Candidates Offer Promises
To Needy Students,
But No Solutions**

By JUNE KRONHOLZ

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON -- John Edwards is offering a free year of college if he's elected president; Wesley Clark is offering two. Joseph Lieberman wants to boost the Pell Grants to needy students by \$2,000 a year each. Howard Dean would guarantee \$10,000 a year in college loans and grants. And John Kerry is offering a free four-year degree in return for two years of public service.

It's an election year, and the soaring cost of a college education is turning into a campaign issue. But even big promises from the candidates aren't likely to unsnarl the problems facing the universities. State support is plummeting, schools are bursting with a record 15.8 million students, federal aid isn't going as far as it used to, students are needier. And fixing any of that is such a monumental task that neither the states nor Congress seems willing to tackle it.

"The major flaw is, 'Where is the money going to come from?'" says Pennsylvania State University Prof. Donald Heller, who studies college finance. With the federal deficit ballooning, and state economies still weak, "I don't see the political will," he adds.

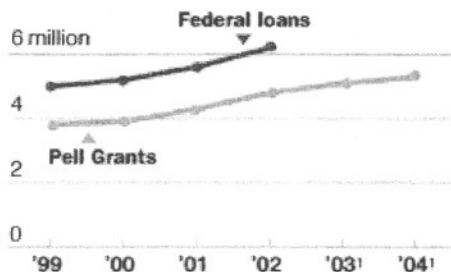
College isn't usually a national campaign issue. But tuition at public colleges and universities is almost double what it was when this year's freshmen were born, and some schools are so crowded that states have begun shutting their doors -- even to students with good grades. The California State University system, facing both a budget and space squeeze, is warning that it may have to turn away 20,000 students next year, and colleges in Florida, Texas and other high-growth states also are full.

STRUGGLING TO PAY

More students are turning to federal Pell Grants to help pay their way through college, but tuition increases are reducing the value of those grants.

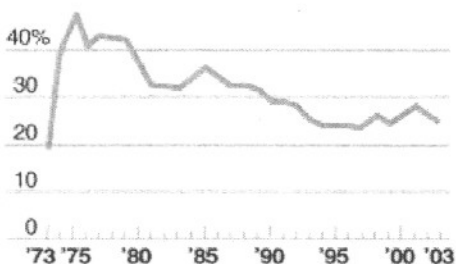
Relying on federal aid...

Students receiving Pell Grants and federal loans



That doesn't go as far

Percentage of average costs at public colleges covered by Pell Grants.²



¹Projection; loan data estimates not available

²Refers to average cost of tuition, room and board at four-year public colleges

Sources: College Board and U.S. Department of Education

That double whammy -- college is harder to get into, and more expensive when you're there -- has hit a chord on the campaign trail. But despite all those campaign pledges to do something, the reality is harsher: Congress and the state legislatures are holding out few promises of help, and there's no easy way to change things for the better.

State legislatures largely determine public-college tuition: The more they appropriate in state aid, the lower the student's bill. But the share of college budgets that comes from state coffers has been falling for decades. States picked up about one-third of their colleges' costs in 2000, down from almost half in 1980. The slow economy last year forced many states to cut college funding even further, and even with state economies looking better, the National Conference of State Legislatures is warning universities to prepare for "continued drops in funding."

Tuition, room and board at a four-year public university cost \$10,636 this year, the College Board says -- \$950 more than a year ago -- and that's almost certain to rise again next year. In Michigan, Gov. Jennifer Granholm already is proposing a 5% cut in

aid to the state universities. The University of Maryland, which took a 14% cut in state aid last year, says it will need two years of double-digit tuition increases to make up the loss.

A U.S. Department of Education advisory panel says 170,000 qualified students couldn't afford to attend even a community college this year, dealing them a huge blow in an increasingly knowledge-based economy. A year at a state university costs a middle-class family about one-fifth of its annual income, not much more than it cost 25 years ago, the College Board says. Even so, the education department panel says about 43% of qualified middle-class youngsters can't afford to go to a four-year university -- it's the local community college or nothing for them. And college prospects are even grimmer for low-income families: College now represents about 70% of their yearly earnings, up from 40% in 1976.

Congress could make up the gap between what universities charge and what

students can afford by raising the value of its Pell Grants to low-income students. In 1976, a Pell Grant covered almost half the cost of tuition, room and board at a public college. The maximum value of the grant has tripled since then to \$4,050 a year. But tuition is up even more, and an average Pell Grant now covers only about one-fifth of typical college costs.

Democrats in Congress and on the campaign trail are calling for major boosts in Pell Grant funding. But so many students are qualifying for the loans -- 5.1 million of them this year, up 800,000 in two years -- that the Education Department says the program will soon be \$3.7 billion in the hole. Raising grants enough to cover this year's average increase in tuition, room and board would cost \$4.6 billion more. The Democratic candidates have said they would pay for a Pell Grant increase by rescinding President Bush's tax cuts, but none has suggested how he would get that through a Republican-controlled Congress.

Even letting students borrow more to pay for college would be costly. Washington guarantees about \$42 billion a year in student loans, and pays the interest on loans to needy students while they're in school. Raising students' lifetime borrowing limits to \$30,000 from the current \$23,000, as the administration wants, would cost the government \$20 billion over 10 years, the Congressional Budget Office estimates.

A program that vastly increased the number of people able to go to college might be a mixed blessing for the states anyway. Tuition covers only about 18% of a public college's budget, so more students would mean higher costs for the universities. "Scholarships do not pay the bills," says Mark Yudof, chancellor of the University of Texas system.

But enrollments are expected to keep growing for a decade as the children of baby boomers reach college age and as immigrants and laid-off workers look to the colleges for skills they hope will help them find better jobs. Public colleges historically have enrolled about 80% of students. Washington helped pay for new classrooms and dorms when World War II veterans and postwar baby boomers flooded the schools. But it doesn't fund campus construction anymore, and Congress isn't even talking about it, though the law that defines the federal role in higher education is up for reauthorization this year.

Community colleges, with their lower tuition and job-training focus, are "bursting at the seams," says David Baime, Washington lobbyist for the American Association of Community Colleges. The Bush administration's new budget includes a \$250 million initiative for community colleges as part of the president's push to retrain laid-off workers for new jobs. But other budget cuts to the community colleges offset all of that and possibly more. In any event, the new money won't go far if it's spread among the 1,200 community colleges, Mr. Baime says.

The administration has been silent on its other plans for higher education, but one idea drawing White House interest would forgive loans for students who graduate in four years instead of today's average six-year slog. Texas passed a loan-forgiveness plan last spring, calculating that it will lower students' overall costs and free up university seats. But that idea favors upper-income students who don't need to take time off to work their way through school. And if students don't repay their loans, someone else will have to.

"You're back to the same question," says Penn State's Prof. Heller: "Who's going to pay?"